



# INTERNAL AUDIT DEPARTMENT



## Internal Control Audit: John Wayne Airport Cash Receipts

For The Year Ended December 31, 2021

Audit No. 2116

Report Date: June 19, 2023

### Number of Recommendations

0

Critical Control  
Weaknesses

0

Significant Control  
Weaknesses

4

Control Findings

## OC Board of Supervisors

CHAIRMAN DONALD P. WAGNER  
3rd DISTRICT

VICE CHAIRMAN ANDREW DO  
1st DISTRICT

SUPERVISOR VICENTE SARMIENTO  
2nd DISTRICT

SUPERVISOR DOUG CHAFFEE  
4th DISTRICT

SUPERVISOR KATRINA FOLEY  
5th DISTRICT



# INTERNAL AUDIT DEPARTMENT

Internal Control Audit:  
John Wayne Airport Cash Receipts

June 19, 2023

## AUDIT HIGHLIGHTS

SCOPE OF WORK	Perform an internal control audit of John Wayne Airport (JWA) cash receipts process for the year ended December 31, 2021.						
RESULTS	<ul style="list-style-type: none"> <li>We concluded that JWA's internal control over the cash receipts process is generally effective to ensure cash receipts are properly collected, recorded, deposited, and safeguarded.</li> <li>We concluded that JWA's cash receipts process is generally efficient.</li> </ul>						
RISKS IDENTIFIED	<p>As a result of our findings, potential risks include:</p> <ul style="list-style-type: none"> <li>Undetected control weaknesses.</li> <li>Inconsistent processing of cash receipt transactions or departmental management directives not being followed.</li> <li>Theft of cash assets.</li> </ul>						
<p>NUMBER OF RECOMMENDATIONS</p> <table border="1"> <tr> <td data-bbox="99 1570 203 1669">0</td> <td data-bbox="203 1570 393 1669">CRITICAL CONTROL WEAKNESSES</td> </tr> <tr> <td data-bbox="99 1669 203 1768">0</td> <td data-bbox="203 1669 393 1768">SIGNIFICANT CONTROL WEAKNESSES</td> </tr> <tr> <td data-bbox="99 1768 203 1864">4</td> <td data-bbox="203 1768 393 1864">CONTROL FINDINGS</td> </tr> </table>	0	CRITICAL CONTROL WEAKNESSES	0	SIGNIFICANT CONTROL WEAKNESSES	4	CONTROL FINDINGS	<p>Opportunities for enhancing internal control include:</p> <ul style="list-style-type: none"> <li>Enhancing monitoring activities by performing ongoing and separate evaluations of cash receipts controls.</li> <li>Documenting policies and procedures for cashiering.</li> <li>Assigning custody of keys and maintaining documentation of key holders.</li> <li>Performing periodic inventories of cash receipt forms.</li> </ul>
0	CRITICAL CONTROL WEAKNESSES						
0	SIGNIFICANT CONTROL WEAKNESSES						
4	CONTROL FINDINGS						

Report suspected fraud, or misuse of County resources by vendors, contractors, or County employees to 714.834.3608



## INTERNAL AUDIT DEPARTMENT

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Audit No. 2116

June 19, 2023

To: Charlene Reynolds  
John Wayne Airport Director

From: Aggie Alonso, CPA, CIA, CRMA  
Internal Audit Department Director

Subject: Internal Control Audit: John Wayne Airport Cash Receipts

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We have completed an internal control audit of John Wayne Airport (JWA) cash receipts process for the year ended December 31, 2021. Details of our results and recommendations immediately follow this letter. Additional information including background and our objectives, scope, and methodology is included in Appendix A.

JWA concurred with all our recommendations and the Internal Audit Department considers management's response appropriate to the recommendations in this report.

We will include the results of this audit in a future status report submitted quarterly to the Audit Oversight Committee and the Board of Supervisors. In addition, we will request your department complete a Customer Survey of Audit Services, which you will receive shortly after the distribution of our final report.

We appreciate the courtesy extended to us by JWA personnel during our audit. If you have any questions regarding our audit, please contact me at (714) 834-5442 or Michael Dean at (714) 834-4101.

### Attachments

#### Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- County Executive Office Distribution
- John Wayne Airport Distribution
- Auditor-Controller Satellite Accounting Operations Distribution
- Robin Stieler, Clerk of the Board
- Foreperson, Grand Jury
- Eide Bailly LLP, County External Auditor

# INTERNAL AUDIT DEPARTMENT

## RESULTS

<b>BUSINESS PROCESS &amp; INTERNAL CONTROL STRENGTHS</b>	<p>Business process and internal control strengths noted during our audit include:</p> <ul style="list-style-type: none"> <li>✓ The department complies with the Payment Card Industry Data Security Standards (PCI DSS) to safeguard customer card data.</li> <li>✓ Accounting utilizes a Daily Currency Log report from Operations' Access database to copy and paste information (e.g., payee name and amount paid) to their checklist for increased efficiency.</li> <li>✓ Accounting established written internal policies and procedures for daily deposits.</li> <li>✓ Accounting maintains a transfer of accountability log for cash receipts pending deposit.</li> <li>✓ Staff are required to log their initials throughout the cash receipts process to ensure adequate segregation of duties.</li> <li>✓ ACH payments are reconciled to the general ledger and bank statements.</li> <li>✓ System access is included as part of the HR checklist for separating employees.</li> <li>✓ Accounting maintains a courier deposit pickup log.</li> </ul>
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<b>FINDING NO. 1</b>	<p><b>Monitoring Activities</b></p> <p>COSO, the internal control framework adopted by the County, requires ongoing monitoring activities, including conducting separate evaluations to ascertain whether the components of internal control are present and functioning.</p> <p>Although JWA has several control activities (e.g., cash counts and reconciliations), JWA does not perform ongoing and separate evaluations of those controls.</p>
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RISK</b>	Not performing separate evaluations of internal controls could lead to undetected control weaknesses.
<b>RECOMMENDATION</b>	JWA enhance monitoring activities by performing ongoing and separate evaluations of cash receipts controls.



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<b>MANAGEMENT RESPONSE</b>	<b>Concur.</b> JWA concurs with the finding and recommendation. As resources permit, the Airport will periodically review cash receipts control activities for continued relevance and effectiveness in achieving our objectives.
<b>FINDING NO. 2</b>	<b>Policies and Procedures for Cashiering</b>  While cashiers receive hands-on training from the most senior cashier or a supervisor, the department does not have documented policies and procedures (P&Ps) for cashiering.  Documenting P&Ps for cashiering helps to ensure consistent practices are followed.
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RISK</b>	Not having departmental P&Ps could result in inconsistent processing of cash receipt transactions or departmental management directives not being followed.
<b>RECOMMENDATION</b>	JWA management establish documented policies and procedures regarding cashiering.
<b>MANAGEMENT RESPONSE</b>	<b>Concur.</b> JWA concurs with the finding and recommendation. The Airport will document the cashiering control responsibilities in a policy and procedure. The document approved by management will be available to all staff members on the Airport's intranet site.

<b>FINDING NO. 3</b>	<b>Record of Keyholders</b>  The department does not maintain a written record of keyholders.  Daily cash receipts are transferred from the terminal administration suite to Accounting via a locked bag. There are three keys for the locked bag, but designated keyholders are not documented.  Although the department maintains a daily currency log that records the transfer of accountability between employees, JWA would benefit from maintaining a record of designated keyholders to further safeguard cash assets.
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RISK</b>	Failure to maintain documentation of keyholders increases the risk of theft of cash assets.



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<b>RECOMMENDATION</b>	JWA management assign custody of keys and maintain a written record of keyholders.
<b>MANAGEMENT RESPONSE</b>	<b>Concur.</b> JWA concurs with the finding and recommendation. The Airport will maintain a written record of staff-assigned keys for the locked bag utilized to transfer cash receipts.

<b>FINDING NO. 4</b>	<b>Inventory of Cash Receipt Forms</b>  Periodic inventories of cash receipt forms are not performed as required.
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RISK</b>	Not performing a physical inventory of cash receipt forms increases the risk of theft of cash assets.
<b>RECOMMENDATION</b>	JWA management assign an employee with no custodial or cashiering duties to periodically perform inventories of cash receipt forms.
<b>MANAGEMENT RESPONSE</b>	<b>Concur.</b> JWA concurs with the finding and recommendation. The Airport will assign and train a staff member with no custodial or cashiering duties to periodically complete an inventory of cash receipt forms.

<b>AUDIT TEAM</b>	Michael Dean, CPA, CIA, CISA Gianne Morgan, CIA, CISA Alejandra Luna Stephany Franco Thuy Luu	Senior IT Audit Manager IT Audit Manager Senior Auditor Senior Auditor Staff Specialist
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# INTERNAL AUDIT DEPARTMENT

## APPENDIX A: ADDITIONAL INFORMATION

<b>OBJECTIVES</b>	<p>Our audit objectives were to:</p> <ol style="list-style-type: none"><li>1. Evaluate the effectiveness of internal controls over the cash receipts process to ensure cash receipts are properly collected, recorded, deposited, and safeguarded.</li><li>2. Review the cash receipts processes for efficiency.</li></ol>
<b>SCOPE &amp; METHODOLOGY</b>	<p>Our audit scope was limited to internal controls over JWA's cash receipt process for the year ended December 31, 2021. Our methodology included inquiry, observation, examination of documentation, and testing of relevant transactions.</p>
<b>EXCLUSIONS</b>	<p>Our audit scope did not include a review of controls over receipts generated from parking services.</p>
<b>PRIOR AUDIT COVERAGE</b>	<p>We have not issued any audit reports for JWA with a similar scope within the last ten years.</p>
<b>BACKGROUND</b>	<p>JWA generates daily cash receipts for services such as leases, ground transportation, passenger facility charges, badge payments, automobile parking, and miscellaneous refunds.</p> <p>During the audit period, total daily cash receipts were approximately <b>\$150 million</b>.</p> <p>Cash receipts accounting services are provided by the JWA Accounting unit. The unit is staffed by the Auditor-Controller and is within JWA's Finance Administration Division. Payments are mailed, sent electronically, or collected by terminal administration staff and the administration building receptionist, and then transferred to Accounting for recording and depositing.</p>



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<b>PURPOSE &amp; AUTHORITY</b>	We performed this audit in accordance with the FY 2021-22 Audit Plan and Risk Assessment approved by the Audit Oversight Committee (AOC) and Board of Supervisors (Board).
<b>PROFESSIONAL STANDARDS</b>	Our audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the International Internal Audit Standards Board.
<b>FOLLOW-UP PROCESS</b>	<p>In accordance with professional standards, the Internal Audit Department has a process to follow up on its recommendations. A first follow-up audit will generally begin six months after the release of the initial report.</p> <p>The AOC and Board expect that audit recommendations will typically be implemented within six months or sooner for significant and higher risk issues. A second follow-up audit will generally begin six months after release of the first follow-up audit report, by which time all audit recommendations are expected to be implemented. Any audit recommendations not implemented after the second follow-up audit will be brought to the attention of the AOC at its next scheduled meeting.</p> <p>A Follow-Up Audit Report Form is attached and is required to be returned to the Internal Audit Department approximately six months from the date of this report to facilitate the follow-up audit process.</p>
<b>MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROL</b>	In accordance with the Auditor-Controller's County Accounting Manual Section S-2 Internal Control Systems: "All County departments shall establish effective internal controls as department management is responsible for internal control. Department management shall also continuously assess and strengthen internal control by evaluating internal control systems and promptly correcting weaknesses when detected." The criteria for evaluating internal control is the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework. Our audit enhances and complements, but does not substitute for department management's continuing emphasis on control activities and monitoring of control risks.
<b>INTERNAL CONTROL LIMITATIONS</b>	Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to, resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in the department's operating procedures, accounting practices, and compliance with County policy.





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## APPENDIX B: FINDING TYPE CLASSIFICATION

Critical Control Weakness	Significant Control Weakness	Control Finding
<p>These are audit findings or a combination of audit findings that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise the department's or County's reputation for integrity. Management is expected to address <b>Critical Control Weaknesses</b> brought to its attention immediately.</p>	<p>These are audit findings or a combination of audit findings that represent a significant deficiency in the design or operation of internal controls. <b>Significant Control Weaknesses</b> require prompt corrective actions.</p>	<p>These are audit findings concerning the effectiveness of internal control, compliance issues, or efficiency issues that require management's corrective action to implement or enhance processes and internal control. <b>Control Findings</b> are expected to be addressed within our follow-up process of six months, but no later than twelve months.</p>



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## APPENDIX C: JOHN WAYNE AIRPORT MANAGEMENT RESPONSE

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JOHN WAYNE  
AIRPORT  
ORANGE COUNTY

June 9, 2023

Mr. Aggie Alonso, CPA, CIA, CRMA  
Director, Internal Audit Department  
County of Orange  
County Administration South  
601 North Ross Street, Suite 528  
Santa Ana, CA 92701

Dear Mr. Alonso,

John Wayne Airport (JWA) welcomes the opportunity to respond to the draft audit report. We appreciate the time and effort the County's Internal Audit Department and its staff dedicated to conducting this important audit.

JWA fully recognizes the critical importance of internal controls over cash receipts. JWA concurs with the four recommendations noted in the draft audit report. Below you will find a more detailed response to the recommendations.

### Recommendation 1

JWA enhance monitoring activities by performing ongoing and separate evaluations of cash receipts controls.

### JWA Response

JWA concurs with the finding and recommendation. As resources permit, the Airport will periodically review cash receipts control activities for continued relevance and effectiveness in achieving our objectives.

### Recommendation 2

JWA management establish documented policies and procedures regarding cashiering.

### JWA Response

JWA concurs with the finding and recommendation. The Airport will document the cashiering control responsibilities in a policy and procedure. The document approved by management will be available to all staff members on the Airport's intranet site.



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### Recommendation 3

JWA management assign custody of keys and maintain a written record of keyholders.

### JWA Response

JWA concurs with the finding and recommendation. The Airport will maintain a written record of staff-assigned keys for the locked bag utilized to transfer cash receipts.

### Recommendation 4

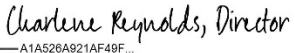
JWA management assign an employee with no custodial or cashiering duties to periodically perform inventories of cash receipt forms.

### JWA Response

JWA concurs with the finding and recommendation. The Airport will assign and train a staff member with no custodial or cashiering duties to periodically complete an inventory of cash receipt forms.

We hope this information is responsive to your request. Please do not hesitate to contact me directly if you have questions or require additional information.

Sincerely,

DocuSigned by:  
  
A1A526A921AF49F...  
Charlene V. Reynolds  
Airport Director  
John Wayne Airport, Orange County

cc: Komal Kumar, Interim Assistant Airport Director, John Wayne Airport  
Hector Gomez, Interim Deputy Airport Director, JWA Finance Administration  
Vivian Canton, Manager, JWA Accounting  
Kenneth Wong, Manager, JWA Quality Assurance and Compliance

